

**MINUTES
BOARD OF TRUSTEES OF THE
PUBLIC EMPLOYEES' RETIREMENT FUND
143 West Market Street, Suite 500
Indianapolis, Indiana 46204**

June 20, 2008

REGULAR SESSION

Board Members Present

Ken Cochran, Chair
Bob Welch
Ryan Kitchell
Matt Murphy
Cynthia Walsh

Board Members Absent

Kevin Boehnlein, Vice Chair

Others Present

Kristin Finney-Cooke, Mercer Investment Consulting
Curt Smith, Strategic Investment Solutions (SIS)
Steffanie Rhinesmith, Teachers' Retirement Fund

PERF Staff Present

Terren Magid, Executive Director
Andrea Unzicker, General Counsel
Shawn Wischmeier, Chief Investment Officer
Patricia Bush, Chief Financial Officer
Jeff Hutson, Director of Outreach and Communications
Sandra Wilson, Executive Assistant
Jeri Mains, Legal Assistant
Greg Davis, Director of Private Equity
David Cooper, Director of Fixed Income
Brooke Snyder, Director of Equity
Josh Rabuck, Investment Officer for Risk Management

Meeting called to order at 12:16 p.m. by Chairman Cochran.

I. Approval of Minutes

MOTION duly made and carried to approve the minutes from April 18, 2008 Board of Trustees meeting.

Proposed by: Bob Welch
Seconded by: Ryan Kitchell
Votes: 3 in favor, 0 opposed, 2 abstentions (Cynthia Walsh & Matt Murphy)

MOTION duly made and carried to approve the minutes from May 16, 2008 Board of Trustees meeting.

Proposed by: Cynthia Walsh
Seconded by: Bob Welch
Votes: 4 in favor, 0 opposed, 1 abstention (Matt Murphy)

II. Old Business

• Strategic Plan Update

Mr. Magid presented the Board with the Strategic Plan. Mr. Magid discussed the planning process, the six suggested goals with corresponding objectives and changes to the Plan as of the board retreat.

It is recommend that the Strategic Plan remove the last seven words in Objective 3-A.

MOTION duly made and carried to remove the last seven words in Objective 3-A in the Strategic Plan.

Proposed by: Ryan Kitchell
Seconded by: Matt Murphy
Votes: 5 in favor, 0 opposed, 0 abstentions

It is recommended that the Board approve the proposed Strategic Plan with the amendment.

MOTION duly made and carried to approve the Strategic Plan.

Proposed by: Bob Welch
Seconded by: Cynthia Walsh
Votes: 5 in favor, 0 opposed, 0 abstentions

III. New Business

- **Finance & Budget**

Financial Update

Ms. Bush reviewed the April financial statements with the Board. As of May 31, 2008, PERF net assets were \$16.7B representing a decrease of \$400 million (-2.6%) from June 30, 2007.

Budget Approval

Ms. Bush reviewed the Fiscal Year 2009 Budget with the Board. Ms. Bush provided the Board with FY09 Themes, the FY09 Budget Overview and FY09 Budget Summary as well as 3 year budget comparison data.

It is recommended that the board approve the Fiscal Year 2009 Budget.

MOTION duly made and carried to approve the Fiscal Year 2009 Budget.

Proposed by: Matt Murphy
Seconded by: Bob Welch
Votes: 5 in favor, 0 opposed, 0 abstentions

- **Investments**

Investments Update

Shawn Wischmeier introduced Kristin Finney-Cooke of Mercer to the Board. Mr. Wischmeier and Ms. Finney-Cooke provided the Board with an investments update.

Investment Manager Recommendations

Mr. Wischmeier presented to the Board a proposal for Active Emerging Markets Manager. Mr. Wischmeier discussed the selection process and recommended to the Board to hire Schroder Investment Management North American Inc. The recommendation is to approve the use of Schroder Investment Management North American Inc. to manage an active MSCI Emerging Markets mandate for Indiana PERF. Schroder Investment Management North American Inc. will manage the assets in the Global Emerging Markets Core Equity strategy and fund Schroders initially with approximately \$150M.

MOTION duly made and carried to approve the use of Schrodgers plc to manage an active MSCI Emerging Markets mandate for Indiana PERF. Schroder Investment Management North American Inc. will manage the

assets in the Global Emerging Markets Core Equity strategy and fund Schroders initially with approximately \$150M.

Proposed by: Bob Welch
Seconded by: Ryan Kitchell
Votes: 5 in favor, 0 opposed, 0 abstentions

Private Equity Recommendations

Mr. Wischmeier and Curt Smith presented two private equity investments for the Board's consideration.

The first investment proposal is TowerBrook Investors III. TowerBrook is raising a \$2.5 billion middle market fund that invests primarily in complex transatlantic opportunities where the TowerBrook team can leverage its unique firm structure to source deals with little competition while teaming with world class management teams.

TowerBrook has raised two prior funds. Fund I is a 2001 vintage year fund with \$697 million of capital commitments, and Fund II is a 2006 vintage fund with \$1.3 billion of capital commitments.

It is recommended that the Board approve up to a \$35 million commitment to TowerBrook Investors III pending final due diligence and document review by legal counsel.

MOTION duly made and carried to approve a commitment of up to \$35 million to TowerBrook Investors III pending final due diligence and document review by legal counsel.

Proposed by: Ryan Kitchell
Seconded by: Matt Murphy
Votes: 5 in favor, 0 opposed, 0 abstentions

The second investment proposal is Wayzata Opportunities Fund II. Wayzata is raising a \$3.5 billion fund that invests primarily in small- to middle-market distressed opportunities. The Firm will continue to pursue the investment strategy that has been successfully implemented in their previous funds.

The partners of Wayzata have managed five private equity-style distressed debt and special situations funds totaling approximately \$1.5 billion in capital commitments. Four of the five funds have generated upper quartile returns as of December 31, 2007.

It is recommended that the board approve up to a \$30 million commitment to Wayzata Opportunities Fund II pending final due diligence and document review by legal counsel.

MOTION duly made and carried to approve a commitment of up to \$30 million to Wayzata Opportunities Fund II pending final due diligence and document review by legal counsel.

Proposed by: Matt Murphy
Seconded by: Cynthia Walsh
Votes: 5 in favor, 0 opposed, 0 abstentions

Investments Due Diligence & Approval Process

Shawn Wischmeier introduced members of the investment team to the board including Brooke Snyder, David Cooper, Greg Davis and Josh Rabuck. The investment team presented the investments due diligence, manager selection and manager review processes to the Board. Mr. Cooper and Mr. Snyder began by describing the organization of the team and their experience. The team then discussed processes related to the public markets. Specifically, Mr. Cooper and Mr. Snyder discussed the scorecard process whereby managers are scored on various attributes including a variety of characteristics and procedures. Messrs. Cooper and Snyder provided scorecard sample. They also discussed the public manager search process.

Mr. Davis discussed processes related to the private markets including strategy and planning, investment sourcing, scoring and evaluation, target list, detailed diligence, selection and approval and post-approval portfolio management.

Mr. Rabuck discussed portfolio monitoring and risk management including a description how support systems are used.

Mr. Wischmeier introduced Kristin Finney-Cooke with Mercer to discuss the recommended changes in the Approval Process. Ms. Finney-Cooke reviewed with the Board the options considered by Mercer. The two options considered were 1) The Board meets on a more frequent basis, or 2) The Board delegates the investment manager selection process to staff.

Mercer and Staff recommend the second option and further provide the following two proposals: 1) Full delegation of the investment manager selection process for the entire portfolio, and 2) Delegation of the investment manager selection process for alternatives only. Either proposal would include certain constraints.

After discussion with the Board, Mercer and Staff recommend full delegation of the investment manager selection process for the entire portfolio with the following constraints: (1) No more than \$100M may be committed to any single private market investment vehicle without Board approval, and (2) Should either the current Executive Director or current Chief Investment Officer leave PERF, the delegated authority is required to be readopted by

the Board at the next scheduled Board meeting or the delegation of the investment manager selection process shall cease as of such meeting.

MOTION duly made and carried to approve the full delegation of the investment manager selection process for the entire portfolio with the following constraints: (1) No more than \$100M may be committed to any single private market investment vehicle without Board approval, and (2) should either the current Executive Director or current Chief Investment Officer leave PERF, the delegated authority is required to be readopted by the Board at the next scheduled Board meeting or the delegation of the investment manager selection process shall cease as of such meeting.

Proposed by: Cynthia Walsh
Seconded by: Bob Welch
Votes: 5 in favor, 0 opposed, 0 abstentions

- **Benefits**

New Units & Enlargements

Ms. Bush presented New Units and Enlargements to the Board for approval. There are six new units proposing to be added and 19 current units that are proposing additional coverage.

MOTION duly made and carried to approve the New Units and Enlargements.

Proposed by: Ryan Kitchell
Seconded by: Bob Welch
Votes: 5 in favor, 0 opposed, 0 abstentions

Line of Duty Death Benefit

Mr. Magid presented the board with a line-of-duty death benefit claim for Daniel R. Barrett, an officer with the Indiana State Police. By witness testimony, Trooper Barrett seemed to have been in pursuit of a vehicle at a high rate of speed. The report shows that Trooper Barrett lost control of his police cruiser and sliding off an embankment, then striking trees in the process. Trooper Barrett experienced multiple injuries that lead to his death. The cause of death is laceration of the brain, skull fracture, blunt force trauma and automobile accident. The benefit amount is \$150,000.

IV. Executive Director Report

Mr. Magid discussed FY08 accomplishments, May highlights, the May scorecard, the Strategic Plan and PERF's plan for the future and how PERF intends to achieve that plan. Mr. Magid also discussed receipt of the Governor's Award by the Non-PERF team and PERF's receipt of the Certificate of Achievement for Excellence in Financial Reporting.

V. **Date of Next Meeting**

August 15, 2008 at 12 p.m.

VI. **Adjournment**

Adjourned at 3:58 p.m.